

**Iowa Department of Natural Resources  
Environmental Protection Commission**

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**ITEM**

**8**

**DECISION**

**TOPIC**

**Clean Water and Drinking Water State Revolving Loan Funds – 2007  
Intended Use Plan Updates to Allow Cross-Program Investment**

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Approval is sought from the Environmental Protection Commission of changes to the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF Intended Use Plans to allow cross-program investment. A proposal has been sent to the U.S. Environmental Protection Agency. The primary purpose is to allow use of uncommitted CWSRF monies to delay implementation of a bond issue in the DWSRF program until it is more economically beneficial. The Iowa Finance Authority estimates that the estimated savings in cost of issuance and interest expense of doing one large issue in the fall of 2008 instead of two smaller bond issues is approximately \$300,000.

The language below is proposed as additions to the CWSRF and DWSRF Intended Use Plans:

*With EPA approval, IFA proposes to temporarily invest CWSRF monies in the DWSRF in May or June 2007. The investment would be short-term in nature. The investment plus interest would be repaid within two years. Both the CWSRF and the DWSRF charge 3% interest on their loans. The investment from the CWSRF will earn the same rate as it would have earned had it been used for wastewater loans. An investment contract formally detailing the terms between the two programs will be developed and executed.*

*Currently, the CWSRF has a balance of past loan repayments that are not pledged to any outstanding bond issues. By using these funds to invest, there are no concerns with any outstanding bond documents. The maximum amount of investment from the CWSRF to the DWSRF will be \$25 million. This investment will provide a temporary source of capital to fund DWSRF loans until a bond issue can be completed in FY 2008.*

A public hearing was held April 4, 2007. A written comment was received from the Iowa Chapter of the Sierra Club opposing the proposal on the grounds that water quality standards are not being enforced and demand created for CWSRF loans. Because the proposed investment is short-term and current demand for CWSRF loans can be met, DNR does not suggest any changes to the proposal in response to the comment.

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April 6, 2007